

Submitted via email

5 December 2014

Dear Kate,

The Consumer Futures team within Citizens Advice prepared this response. It has statutory responsibilities to represent the interests of energy consumers in Great Britain. Citizens Advice welcomes the opportunity to respond to Ofgem's consultation on Licence Lite.

1. Are further clarifications regarding the functioning of a Licence Lite arrangement required from the regulator, and if so, in what areas?

Not at this time. The updated guidance is comprehensive but we would expect it to be amended where necessary once actual applicants emerge (similar to the rationale for this updated consultation as compared to 2009). We have found this process useful in the past, for example with the ongoing development of "scenarios" for both the domestic and non-domestic back-billing voluntary codes.

2. Do you agree that our position over the balance of responsibilities and regulatory obligations is: a) sufficiently clear to allow parties confidence to enter into commercial agreements, and b) a proportionate approach?

They seem a better balance than the 2009 guidance, whose brevity may have led to confusion and thus lower than expected take-up.

One area Ofgem could go further would be to place a formal requirement on all suppliers with more than 250,000 customers to offer terms to possible Licence Lite suppliers i.e. a new "duty to supply" of sorts. If such terms could be judged unreasonable we would expect Ofgem to receive, process and decide on referrals.

3. Do the Licence Lite arrangements relating to the Smart Energy Code – as set out in this consultation and in paragraphs 1.39-1.41 of the proposed guidance – provide sufficient clarity over roles and compliance obligations between parties?

Only in so far that we would hope and expect Ofgem to not make a habit of exemptions from SEC obligations, thus potentially jeopardising the rollout and attendant benefits. This is particularly true for non-domestic consumers who already suffer from fewer protections and whose suppliers are not mandated to join the DCC.

Thus each "case by case" basis for derogation you describe would need to be rigorous so as not to have policy conflict. We would be surprised if more than a handful of Licence Lite suppliers wanted to opt-out given the nature of their own expected offerings i.e. that pertaining to social and environmental goals, assisted by smart technology.

4. Do the Licence Lite arrangements relating to the Electricity Market Reform – as set out in this consultation and in paragraphs 1.42-1.46 of the proposed guidance – provide sufficient clarity over roles and compliance obligations between parties?

They seem reasonable and in alignment with the motives for the EMR generally.

5. Do the Licence Lite arrangements relating to the government's social and environmental programmes – as set out in this consultation and in paragraphs 1.42-1.46 of the proposed guidance – provide sufficient clarity over roles and compliance obligations between parties?

We would be surprised if Licence Lite suppliers reached the relevant threshold for the programmes you mention; if they did then we would of course support their inclusion for the same reasons of balancing fairness and progress as the market more generally. If over the size threshold we anticipate that any supplier would have the necessary level of sophistication to deal with such obligations and should have their own licence.

6. Does the potential impact of the MPID restriction warrant a modification to the Balancing and Settlement Code?

We have identified additional modifications that might assist local generation, though we are conscious of their cost. One would be to allow different metering systems to be grouped under an Additional Balancing Mechanism Unit settlement unit, thus also enabling grouping of associated meters in settlement. All suppliers should also have the option to register their local units in settlements to enable netting of exports and imports associated with any junior supplier automatically. This would result in a more equitable outcome. The local generators could be consolidated as a Regional Trading Unit so that two or more Licence Lite suppliers with LBUs could use a specialist consolidator to manage their imbalance positions if they wanted.

A Licence Lite supplier could be deemed a related party under the BSC so that it can claim BSC embedded benefits direct. Whether it should have the right to bring forward rule changes is another matter and further consideration of new classifications is needed. More generally the supplier entry process could be simplified to enable direct entry to the BSC as a regional participant without needing to go through full national market entry.

7. Are there any complications (not identified in the consultation) to uniquely identifying a Licence Lite supplier's customers on central systems?

We have found that suppliers sometimes have less than optimal approaches to categorising their white label customers, in one case meaning that they could not actually tell us how many customers this sub-brand had until they had re-organised their internal systems. We would not want this approach carried over into the Licence Lite world.

8. Are the risks to Licence Lite suppliers inherent in the current operation of supplier of last resort arrangements in the event of TPLS failure sufficient to justify backstop measures, and if so, what measures would be appropriate and why?

The process as described seems somewhat disproportionate; a similar approach whereby customers go to a supplier of last resort (as for fully licensed suppliers) and then reconciliation occurs after the event seems more reasonable. It is extremely unlikely that both the Licence Lite supplier and its TPLS will both collapse at the same time for reasons not caused by the latter's issues. For that reason the conventional process should be maintained here.

9. Is the information required for a Licence Lite application appropriate for all potential applicants?

One can never cover “all” potential applicants, nor should Ofgem try. The information seems comprehensive enough for the likely applicants and their attendant knowledge.

We would hope that Ofgem would be happy to provide more tailored answers to specific answers potential applicants would have if they arose.

10. Are there any relevant milestones which are omitted from the proposed guidance?

None as far as we can tell.

Andrew Hallett
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